

March 28, 2006

The Honorable Martin Gruenberg
Chairman, FDIC
550 17th St., NW
Washington, DC 20429

RE: The Utah Farmers Union Testimony at FDIC Hearings on Wal-Mart Application

Dear Chairman Gruenberg:

On behalf of the Utah Farmers Union, an organization dedicated to protecting and enhancing the economic well-being and quality of life for Utah's family farmers and ranchers and their rural communities, I hereby am submitting the attached testimony along with this summary.

The enclosed testimony looks at Wal-Mart's devastating impact on local businesses, and considers the possible effect of Wal-Mart on community banks in particular. A dangerous concentration of power will result if Wal-Mart is the only bank in town, as it is the only business in town in so many communities.

Finally, the enclosed testimony considers these possibilities in light of Wal-Mart's history of skirting the law for its own benefit. Based on these facts and considerations, and on behalf of the Utah Farmers Union, I oppose the Wal-Mart charter for an Industrial Loan Corporation and ask the FDIC to reject the Wal-Mart application for an ILC charter.

Thank you for your time. I look forward to testifying.

Sincerely,

Arthur Douglas
President
P.O. Box 56 (13520 N 16200 W)
Howell, UT 84316
(435) 471-2235
ufu@xmission.com

Testimony of Arthur Douglas
Arthur Douglas, Utah Farmers Union
P.O. Box 56 (13520 N 16200 W), Howell, UT 84316
phone: (435) 471-2235 email: ufu@xmission.com

Before the FDIC
On Wal-Mart Application for an Industrial Loan Corporation
Washington, District of Columbia
April 10th, 2006

Good Morning. My name is Arthur Douglas. I am the President of the Utah Farmers Union. The Utah Farmers Union is an organization dedicated to protecting and enhancing the economic well-being and quality of life for Utah's family farmers and ranchers and their rural communities.

I appreciate and thank you for this opportunity to present this testimony to the board of the FDIC.

I am here to speak on Wal-Mart's application for an Industrial Loan Corporation. This application would allow Wal-Mart to enter the banking industry.

As you know, Wal-Mart is the largest corporation in the world and has devastated local businesses in communities across the country. But, I'm not here to go over those facts or to quote you statistics. I'm here to tell you what that looks like in Utah. And I am here to tell you what I fear this would look like if it was set in the banking industry.

In every industry Wal-Mart enters, Wal-Mart dominates. They went into the grocery business and now they are the largest grocer in the United States. They went into the toy industry and now they are the biggest toy store in the United States. When they enter an industry, they dominate, and push other businesses out, especially in small communities like mine.

In towns across Utah there are fewer grocery stores, fewer toy stores, and fewer hardware stores in part because of Wal-Mart. Today I testify as a citizen of Utah, a farmer, and the President of the Utah Farmers Union, because I don't want fewer community banks and credit unions. I don't want my only banking option to be the Bank of Wal-Mart. And I especially don't want them to be my only bank in light of their past business practices. Wal-Mart has not proved themselves trustworthy when operating in other industries, and so we shouldn't let them into an institution that is critical to the stability and vitality of our communities.

Now Wal-Mart says that they will have limited banking abilities. They say they just want to handle back store operations. But, in four years, Wal-Mart could decide to expand its operations as a financial institution and loan to commercial entities. That would devastate

community banks and credit unions the same way it has devastated community businesses. It could leave Wal-Mart as the only bank in town, just as it is left Wal-Mart as the only grocery, toy, and hardware store in so many towns.

What does losing community banks and credit unions mean in rural communities? Losing community banks and credit unions means losing a choice about where we bank. But it also means losing local bankers who are an important part of our community. Local bankers have invested in the local economy and have worked to ensure that their towns are able to continue to grow. A picture of a rural community without a banking choice and without these local bankers is concerning.

This picture is even more troubling when I consider the role of a bank in my town. They are a neutral arbitrator of capital. Wal-Mart, however, would be acting as both a business and bank. If Wal-Mart was the only bank, small businesses in rural communities, including farmers and ranchers, would rely on Wal-Mart for access to capital that is so critical to the vitality of rural communities, and yet their ability to gain access to capital would be jeopardized. Wal-Mart would not be considering loans just as a bank, it would be acting as a commercial entity and Wal-Mart might be conflicted about the way it would distribute those loans. Wal-Mart competes in the marketplace, and the temptation to deny loans from competitors and, instead, funnel loans towards business with which they could do business could arise. This is a dangerous concentration of power which we, in agriculture, are already all too familiar with.

Now, maybe Wal-Mart could resist this temptation. But, for me, they have not demonstrated behavior that would gain that trust. Wal-Mart, again and again, has proven that they will bend and twist the rules to maximize profit. For Wal-Mart, it is all about the bottom line.

I look at Wal-Mart's effect on an industry it enters and the detrimental consequences for smaller businesses. I look at the possibility of Wal-Mart harming local banks in rural communities as it has done to local businesses, and the dangerous concentration of power that would result. And I look at all of this in light of their history of skirting the law for their benefit, and I can only oppose the Wal-Mart application.

As a citizen of Utah where this charter would be established, as a member of a rural community where Wal-Mart has dominated business, and as president of the Utah Farmers Union representing 2,600 members that rely on access to capital to ensure the vitality of their business and community, I ask the board of the FDIC to reject the application.

This will be another foot in the door for Wal-Mart, and when both feet are in the door, how will we pull them back?

I welcome any questions you have. Thank you for your time today. I know I am like a kernel of grain in a fifty gallon barrel, but I appreciate the opportunity to come on behalf of the Utah Farmers Union and express our concerns as producers and consumers.